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**[A REVIEW ON THE IMPACT OF GLOBLISATION ON THE COCOA INDUSTRY
IN NIGERIA]**

A dissertation submitted in partial fulfilment of the requirements of the Royal Docks Business
School, University of East London for the degree of **[M.SC INTERNATIONAL BUSINESS
MANAGEMENT]**

[September 2014]

[14,400]

I declare that no material contained in the thesis has been used in any other submission for
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ABSTRACT

PURPOSE OF STUDY: Globalisation in its current form is seen in developed countries as a certain positive effect for the development of developing nations. However, these viewpoints on the positive impact of globalisation on under developed countries have also been argued. The Nigerian economy has so much dependency on imports and oil revenue, the country makes so much profit from their Agricultural sector and oil, yet it's still suffering from setbacks. Therefore in order to find out the major reasons for its setbacks despite the fact that globalisation it's supposed to contribute immensely in the nation as a whole, the cocoa sector has been chosen to review the benefits on its industry. The cocoa sector was chosen because it involves international trading and globalisation it's supposed to have a direct impact on the development of this sector.

METHODOLOGY AND APPROACH: Due to the dependency of this report on secondary data, the data were obtained using reliable sources of information such as: Government statistics reports, statistics reports from industry associations and statistics reports from intergovernmental organizations, Annual company reports and company filings, School Business databases, Business journals, Business newsletters, articles and books. Therefore, my methodology is essentially a review and synthesis of other literature and secondary data.

RESULTS: Findings from this research study proved globalization to rub off on the decision makings to improve the cocoa sector. These decisions are however not seen as portrayed; therefore globalization cannot be given full credit to have a major impact on the Nigeria cocoa sector because of the setbacks affecting the development of the industry. There is a need for adequate infrastructure, well-being of the farmers and price stability of the produce for globalization to be fully accredited as a major impact in this sector.

ORIGINALITY: A review of new evidence together with older studies was analysed for the conclusion and recommendations. Even though globalisation is regularly seen a positive impact on under developed

countries. From my findings it will be seen that the case of Nigeria has been exceptional to benefit from its influence and support viewpoints on this theory. However, if there will be a stable government and less corruption, Nigeria as a country will to a large extent benefit from globalisation due to presence of numerous natural resources.

KEYWORDS: Globalisation, Cocoa, Nigeria.

GLOSSARY

CAN	Cocoa Association of Nigeria
CBN	Central Bank of Nigeria
CCN	Cocoa Corporation of Nigeria
CET	Common External Tariff Routine
CGES	Cocoa Growth Enhancement Scheme
CIA	Central Intelligence Agency
CRIN	Cocoa Research Institute of Nigeria
CTA	Coco Transformation Agenda
ECOWAS	Economic Community of West African States
EEG	Expert Expansion Grant
EPA	Economic Partnership Agreement
FAO	Food and Agricultural Organization
FGN	Federal Government of Nigeria
FMSP	Federal Market Stabilization Programme
FQC	Fertilizer Quality Control

GDP	Gross Domestic Product
ICCO	International Cocoa Organization
IITA	International Institute of Tropical Agriculture
IMF	International Monetary Fund
NACBRAG	National Centre for Genetic Resources and Biotechnology
NAIP	National Investment Plan
NCDC	National Cocoa Development Committee
NCDP	National Cocoa Development Programme
NCMB	Nigeria Cocoa Marketing Board
NEPC	Nigeria Export Promotion Council
NIRSAL Lending	Nigerian Incentive Based Risk for Sharing Agriculture for
NSPFS	National Special Programme for Food Security
OFDP	Organic Fertilizer Development Programme
PPP	Public Private Partnership
PTA	Presidential Transformation Agenda
SAP	Structural Adjustment Programme
UNCTAD	United Nations Conference on Trade and Development
USDA	United States Department of Agriculture
WB	World Bank
WTO	World Trade Organisation
WITS	World Integrated Trade Solutions

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1.0 INTRODUCTION

With the arrival of globalisation particularly after the second World War came to an end, the World extensively turned into a tiny place of habitation where communication between diverse countries gradually steered a situation whereby the growth and development of a country's economy is not solely dependent on the presiding Government, instead it is to an extent influenced by the resources and large-scale organisations where global laws and regulations rules. Globalisation is an extremely contentious development which has been extensively criticised in its present Neo capitalist practice and then emanates as a surprise to Policy makers and Economists who are to a large extent certain of the advantages of the Neo capitalist form of globalisation and its benefits to developing countries. The impact of globalisation can be distinguished by the Economic development of a country. Quite a number of incredibly globalised developing nations are not evidently benefiting from globalisation and are still dealing with the same problems for decades. However, investors in the western world has shown interest throughout the years and invested in developing nations, this has in turn brought more profits and exchange of foreign currencies to developing countries, reasons being that lots of raw materials and natural resources are found in these parts of the world. Nevertheless, examining the present situation of the cocoa industry in Nigeria, it would be seen that globalisation has not achieved the results which one would have expected with the liberalisation of free trade and the world market demand of the produce. The objective of this study is to analyse the impact of globalisation on the cocoa sector in Nigeria, looking at the contributions of globalisation on the development of the cocoa sector in Nigeria and other benefits in general. Nigeria was chosen for this research because, Nigeria is a country of enormous natural resources with a high and increasing rate of people living in poverty and it has been recently declared the country with the largest economy in Africa. I thought its ideal due to its current economic position in Africa and its setbacks to analyse the effects of globalisation using one of their major international trades cocoa, which is to a large extent influential

and has a huge impact on the country's economic development. Other research in this area focused on the International price of the product (cocoa) and innovation brought through globalisation. However, due to the focus of this research on agriculture and globalisation, it will look at globalisation from a different approach. The international modern day global economy has naturally given a boost to the links between International politics and International business, making the effects of globalisation in developing nations of major concern to not just the parties involved but also the international community. The percentage of Nigeria living below poverty line is increasing by the day and international openings like this should be held responsible to realise what role they have to play on the development of the country at large. To create a better means of approaching this research topic, I have gone through quite a number of reports on this research issue and these reports consist of different methods of documentation. Having that in mind, I was able to select between the two methods of data collection namely quantitative and qualitative approach suitable for a positive outcome of this study. The Qualitative approach views the world as collectively built through individual opinions. The Qualitative approach believes that they will understand better and are very cynical on giving clarifications without carefully observing the process (Easterby-Smith, Thorpe & Lowe, 2002). On the other hand, the quantitative approach views the world as an independent existence separately from the opinions and views of individuals. In other words, they believe results and explanations can be discovered without individual beliefs (Easterby-Smith, Thorpe & Lowe, 2002). In respect to this study on the impact of globalisation, there two major focus on the subject matter. One is Nigeria as an underdeveloped country which has other aspects that could influence its development apart from cocoa. And secondly, cocoa an international trade and yet hasn't flourished on its own to positively influence the development Nigeria.

1.1 RESEARCH QUESTION

What impact has globalisation made in the cocoa industry in Nigeria been one of the major exporters in Africa?

1.2 RESEARCH ISSUE

Globalisation in every form is often considered in developed countries as an unquestionable or rather certain procedure for the economic improvement of developing countries. However, these viewpoints on the impacts introduced to under developed countries have been repeatedly argued. Thus, my intention in this study is to focus on how the cocoa industry in Nigeria has been affected by globalisation. I will not look at how Nigerian cocoa processing industries have internationalised and expanded overseas but instead focus on how globalisation has impacted on the cocoa industry development at large.

1.3 RESEARCH PURPOSE

The purpose of this study is to review the impact globalisation has had on the cocoa industry in Nigeria.

1.4 LIMITATIONS OF STUDY

It is reasonably evident that this study will have overall limitations regarding the time period I had at my disposal. Due to the time limit I decided to focus on a general overview on the cocoa producing states and not have to look at them one after the other although I made reference to analysis carried out in one or two states, to have a complete view on the impact of globalisation on the cocoa industry in Nigeria it will be essential to take into deep consideration of all the cocoa producing sectors and also include the role of non- business establishments which includes NGOs (Non- Governmental Organisations) and business organisations to have a comprehensive analysis. There is a need for future studies to incorporate the role of NGOs in

the development of the Nigerian cocoa sector. Finally, I will like to point out that much information and articles dealt with this area of research and therefore all opinions were not covered creating room for some criticism of my sources.

1.5 TARGET GROUP

Referring to the above limitations, some areas however will not be covered in this study. For that reason, I intend to direct the study at Doctorate students. This work is believed to provide a suitable background for further research for Doctorate students. Nevertheless, I intend to make it fascinating for all accomplices concerned in the globalisation process of under developed countries and also inform researchers, readers and the general public.

1.6 DISPOSITION

In regards to the structure of this study, I will explain in the following section, the methodological approach which encompasses of the means of data collection as well as justifications and limitations of approach. The next section will introduce the Literature Review. The Literature review will have definition of terms and also explain the usage. These terms will include a rationalization of globalisation and its significance to the study. Afterwards, I will have a broad look at cocoa, its production and utilization. The empirical data will give background information the choice of country and its past economic condition up until its independence. Thereafter I will review the Nigeria cocoa sector and how it has developed through the impact of globalisation. The last section which will be the fifth chapter of this study will analyse all gathered information from two preceding chapters which are the Literature Review and the Empirical data to review the significance of these impacts in the development of the Nigeria cocoa industry. The impact of globalisation in the study will be analysed on three variables (Structural Changes, Environmental Conditions and External influence on Government).

The final section will comprise of my conclusion and recommendations from the study.

2.0 RESEARCH METHODS

This chapter will concentrate on the description of the methods of data collection. There after i will explain how the conceptual framework was developed and the critical analysis of the sources for this study.

2.1 DATA COLLECTION

The qualitative approach has been chosen to carry out this study due to its capability to obtain extensive data. There is obviously no wrong or right answer so it's a situation of going through the data thoroughly and giving sensible explanations and justifications. The major reason for choosing this approach is due to its probability to understand the situation and doesn't concentrate on numbers like the quantitative approach, and also has the capability to allow the researcher show hidden and more detailed information untold by the numbers (Easterby-Smith, Thorpe & Lowe, 2002). The source of data for this study is completely dependent on secondary data such as articles, journals, Government reports, newspapers, school database and books. The method of this study can be classified as documentary research because I am carrying out an open method of data collection. Fisher (2004) verifies that secondary data research can be carried out in an open method. Although in this approach, the researcher may be trying to distinguish how rhetorical methods are used to encourage the reader to a perspective. The aim of this study is to review the impact of globalisation; I decided that this approach is a proficient of gathering information for this study.

2.2 DEVELOPING THE CONCEPTUAL FRAMEWORK

The focus on this study is the impact of globalisation on an under developed country and sector, In the Literature review I defined the meaning of globalisation using several author's viewpoints on the term. The word 'globalisation' is regularly used to describe the impacts on the development of a developing country, (Wohlmuth 2001) and several other authors reported backing up that argument. And so the term 'globalisation' is the key hypothesis to this research. The three variables, External influence on Government, Structural change and Environmental conditions selected for the analysis of this study was assumed to be best fitted for the explanation of the impact of globalisation in spite of others. The choice of Nigeria as the country for this thesis was due to its recent declaration as the African country with the largest economy and yet it's still suffering from huge setbacks. In that notion, the frame work of this analysis is grounded on concepts of several subjects of research like Economics, Social science, Social studies and every other required solution to the research question.

2.3 CRITICISM OF SOURCES

The information used for this study was solely dependent on secondary data which can be considered as a limitation and will not provide a flawless push on the topic that primary sources could have. The results were generated more on reviewed sources from respected journals, the internet and annual reports. In regards to the internet sources, the authenticity due to their various aims and commitments might be difficult to appraise. However, due to the variety on definitions and minute amount of supply of books reporting on the research study, I decided to use the term reliable internet sources in carrying this study. It must also be noted that reliability of these sources can be questioned. The major part of this analysis results obtained from other researchers without using primary information to support these results can therefore be argued from an individual point of view. Due to time constraints, the background of these researchers cannot be attested and

therefore cannot confirm if there are external adherences with involved persons.

3.0 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

This chapter will start with a literature review of the basic terms of this study, and how they are linked to each other. It will also look at the evolution of the Nigerian cocoa sector, the production and utilization of cocoa in Nigeria, how cocoa is traded in Nigeria and the development of the conceptual framework.

3.1 GLOBALISATION

This section will give the reader a brief description of the foundations of globalisation. Thereafter the term 'globalisation' will be defined using various theories from several authors to have a different definition of the term and then to connect it to the aim of research. The last segment will discuss the views on globalisation, its benefits and drawbacks from contradicting points of view.

3.1.1 GLOBALISATION: DEFINITION

It is not found new that Globalisation as historical trade paths such as 'Silk road' crossing more than a few countries was in existence since the beginning of mankind. The earliest wide-ranging trade network in Europe was set up by the Romans through trading with other countries particularly in the Mediterranean. Other examples of trade routes in history are networks like the British Commonwealth and Hansa. Nevertheless globalisation even in historical times was not just seen as a means of

economic improvement but it also instigated actions like the creation of America. This however proves that globalisation will not just be seen as a novel even though the pace of globalisation has rapidly improved remarkably in the past years. According to Schurman (2001), the term 'globalisation' is regularly used in frameworks which at a glimpse not precisely associated with this research topic and can barely be specifically associated to it. This brings attention to the fact that the term 'globalisation' has advanced from the word 'modernity' and thus conjoins several diverse phases (Schurman 2001). Several chances of been knowledgeable about the term globalisation regularly leaves the reader deliberating on its genuine importance or its role in the report and objective of reading. Pearson Education (2002), defined globalisation as the network of numerous contacts of organisations and the parties involved internationally, geographically and cultural boundaries. In addition, a different definition of globalisation refers to the growing significance of international trade, cooperation, international relations and agreements across nations. The key element remains the nations even as interactions between other nations become progressively more of the essence (Daly, 1999). To be precise and reveal the first connection with this study, it looks applicable to take account of the following argument 'although the process of globalisation encompasses of economic collaboration it also involves the political and political affairs (Howlett and Ramesh 2006). "The word globalisation is regularly used to describe the progression of the economic development of developing nations because it is synonymous with its contribution to economic growth" (Wohlmuth2001). Although this argument is not always as stated, Schurman (2001) in his book also explained that weak countries are usually stalled in their development because of the influence of globalisation. Using these definitions, however it will be noted that globalisation is a collection of networking organisations across countries thus emphasizing on the significance of international collaborations. It is regularly seen with the sole purpose of economic attribute, moreover it also encompasses of political, cultural and international relations. Whilst globalisation is regularly used to describe the

economic progression of developing nations, the impacts of the concept of globalisation are not always as optimistic as it appears.

3.1.2 GLOBALISATION AND VIEWPOINTS

Quite a number of authors argued that globalisation is a means of regulating and changing the economy of a nation by international organizations which as a result entails a submission of authority by the provincial government. Globalisation has also been seen as a channel of keeping under developed countries precisely that very little income earners, GM seed implored on improving international farmers, the trading of local industries in order to be eligible for IMF and World Bank loans and the growing domination of the Western cultural values across the world has come to signify globalisation for its commentators (The Guardian 2002). Then again, some authors argued that globalisation is not essentially vile or that international organizations are in control of the wellbeing of individuals or more influential than nations. Others argue that the expansion of globalisation, free market trade in under developed nations is the way forward to the elimination of poverty (IMF 2002). The United Nations (2001) reported that globalisation offers gigantic openings for developing economies by creating jobs and business platforms to areas which otherwise would have battled with economic growth.

3.2 COCOA

Botanically, cocoa is known as *Theobroma cacao*, which belongs to the *Stericulinacea* family. The origin of cocoa came from the upper Amazon region of the South America from where it was distributed to other parts of the globe (Gockowski 2007). The cocoa tree produces an average of twenty five to thirty cocoa fruits per annum. The fruits have an average of nineteen to twenty five beans. The cocoa tree begins to flourish only in its fourth year. Its harvest is highest in the tenth or eleventh year of its life cycle and remains at that point for about nine years or more and it starts to deteriorate

but the tree lives for a period of forty to fifty years (Idowu et al 2007). According to Microsoft Encarta (2009) cocoa has a very high food value; it contains more than 15 percent protein, 35 percent carbohydrate and 35 percent fat. It can also serve as a stimulant because of its mild presence of theobromine, which is in the family of alkaloids that is strongly linked to caffeine. The cocoa beans are sold in world markets but are mostly harvested in African countries of about two-thirds of the overall international productivity. The largest producers of cocoa in Africa are Ghana, Nigeria and Cote d'Ivoire, the rest of productivity is from South American countries like Ecuador and mainly Brazil. The cocoa crop is traded on world's commodity markets and attempts by cocoa producing countries to regularize the price through international settlements have been vague.

3.2.1 COCOA PRODUCTION AND UTILIZATION

The cocoa tree is a vital means of expenditure for lots of farmers and their families in cocoa producing countries. As stated earlier, Cocoa originated from the river valleys of the Amazon and the Orinoco in South America. The Maya people discovered it and named in 'cocoa' or 'Gods food' (Falusi 2006). Cocoa is consumed internationally, and a primary cash crop for cocoa producing West African countries, trade in cocoa and cocoa products is a main source of foreign exchange revenue for developing countries. Cocoa production, processing and consumption have gradually developed into a growing international agro-industrial practice. The cultivation of cocoa is mostly done in the tropical belt straddling between latitudes 15° south and north of the equator (Ikpi 2002). Cocoa is mainly manufactured in developing countries but customarily consumed in the western world. Africa has been shown to sell a large portion of its cocoa to Europe while Latin American countries sell mostly to the United States. Asian countries buy mainly from Indonesia, Ecuador or other South American countries. Whilst few developing countries like Brazil and Malaysia has developed substantially for the mechanized processing of cocoa, the majority of mechanised cocoa

beans processing and its derivatives is presently done in developed countries. Presently, the world cocoa production is approximately 3.4 million tonnes (UNCTAD 2007). Moreover, African countries has been reported to account for more than 70% of the world's exportation of cocoa and the world's over all cocoa consumption of approximately 2% (Falusi 2006). The most valuable cocoa derivatives are made from cocoa beans which is the kernels of the cocoa fruit. The cocoa mass or cocoa liquor produces the most populous cocoa products known as Chocolate, and cocoa butter. Chocolate is globally consumed and it's preserved as a solid mostly at room temperature and a melting point slightly less than the body temperature. It is so rich in taste and very mild then filtered and safe to drink cocoa which are products of cocoa cakes. Few International companies with subsidiaries in Africa are the major manufacturers of chocolate and cocoa processing. On the other hand, the production capability for mechanized processing of cocoa into intermediary products are mostly done by subsidiaries of international companies and a few domestic companies are of major concern in developing cocoa producing countries (Haque 2004 and Obasanjo 2006). Although cocoa mass is popularly known as is the chief constituent in chocolate production, there are also four cocoa derivatives with a popular and high amount of consumption globally. These cocoa products are namely: cocoa powder, cocoa butter, cocoa liquor and cocoa cake. The preliminary stage in the industrial processing of cocoa is the manufacturing of cocoa mass from the cocoa beans. Precedent to the manufacturing process, the raw cocoa beans is fermented and dried to a definite industrial standard. Thereafter, the cocoa beans are thoroughly cleaned and inspected. The clean cocoa beans are then mixed into the preferred blend, fragmented and their husks are removed. The remains which is the inner part of the Kernel generally known as the nib is heated to get rid of bacteria and afterwards grounded into a liquid cocoa mass. The chocolate factories usually demand supplies of cocoa mass which is the starting point of cocoa butter and cocoa powder production.

3.2.2 THE EVOLUTION OF THE NIGERIAN COCOA INDUSTRY

According to a research by (Idachaba 2000), Agricultural R&D is one of major impacts of globalisation in Nigeria which started in 1893 when the colonial government established a botanical garden in Lagos which was the capital of Nigeria at the time. Ikpi (2002) pointed out that this garden was one of the major sources of raw materials for companies in the United Kingdom and was established focusing on the introduction of new cash crops under the British colony. Cocoa which is a major primary cash crop in Nigeria was introduced to Nigeria in 1874 from an island 'Fernando Po' which is off the coast of West Africa. The preliminary expansion of the Nigerian cocoa industry was completely due to the entrepreneurship and initiative of local farmers. Shortly, the colonial government developed interest in cocoa cultivation and seedlings from the botanical garden were supplied for field trials up country (Opeke 1982 and FGN 2005). The lucrative production of cocoa in Nigeria begun in the 19th century and Nigeria by the time she gained her independence in 1960 had developed into one of the world's major cocoa producers. The 1960s and early 1970s were the magnificence decades for cocoa production in Nigeria, as it was the most essential foreign exchange earner. In 1970, the highest production peak of over 380,000 metric tons was attained although there was a decline in production in the mid-1970s. On the contrary, the expression of the 'Dutch disease' in neglecting the agricultural economy while focusing on oil resulted in Oil boom in the 1970s, which later became the lone foreign exchange earner. In the early 1980s, there was a severe economic recession that demanded the establishment of the economic structural adjustment programme (SAP), which was introduced in the mid-1980s, precisely in 1986. SAP upon its introduction, achieved certain amount of success by increasing the number of cocoa production. Akanji (1992) in his research reported that there was an increase of more than 99,000 metric tons in same year of introduction and 255,000 metric tons of cocoa in year-end 1989. Titilola (1997) on the other hand reported that by the year end 1993, Nigeria made the progress of becoming the fourth biggest cocoa producing country after Ghana, Cote

D'Ivoire and Brazil. Although afterwards, (CBN 2004) reported that there was a decrease in cocoa production in the year 2000 to production as low as 160,000 metric tons. To this effect, the Government introduced the National Cocoa Development Committee (NCDC) in 2004 to resuscitate production rate in the cocoa industry; subsequently, there was an improvement of 201,000 metric tons in 2004. The National Cocoa Development Committee was masterminded by the Minister of Agriculture and Water Resources in partnership with other government agencies pertinent to the cocoa industry and delegates from the private sector, stakeholders and representatives from the country's 14 cocoa producing states namely (Ogun, Cross River, Abia, Delta, Ondo, Ekiti, Akwa Ibom, Osun, Kogi, Taraba, Ekiti, Adamawa, Edo, Oyo). The representatives from the cocoa growing states include the deputy Governors of the 14 cocoa producing states and other delegates from the Cocoa Farmers Association. The National Cocoa Development Committee has sub- boards responsible for cocoa manufacturing, cocoa processing, cocoa marketing and value addition, whose efforts increased the consumption cocoa and cocoa derivatives (NCDC 2006). Though presently, the small farmers are the major producers of cocoa in Nigeria. These minor farmers account for approximately 59% of the total production of cocoa in Nigeria with an average of 2ha farmhouse. (FGN 2006) reported that the 14 cocoa growing states in 2005 produced an entirety of 5,976,755 cocoa seedlings, which on the order hand can replant 5354 ha of fresh cocoa farms and a free distribution of cocoa seedlings to the various farmers. For the sustainability and improvement on these various executions, the Government introduced an exceptional programme in February 2005 branded as the 'Cocoa Rebirth'. This programme was mainly designed to create the awareness of the profit capabilities of cocoa, boost the rate of production and industrial processing, draw the attention of the youths into cocoa farming, and raise funds for industrial development (FGN 2006). Nigeria is seen to have the capability for industrial processing of cocoa particularly into its intermediary products. There are currently five cocoa manufacturing organizations functioning effectively in Nigeria. The overall fixed cocoa processing capability of Nigerian cocoa industries is a minimum 104,000 tons per year while the

minimum of 44,000 tons is processed into intermediary products for provincial use or export. It is worth mentioning that one of the local beverage industries (Cocoa Industries Ltd.) not only deals with the processing of the cocoa beans into the intermediary stage but also produces a well consumed and popular beverage. In 1990, the Government made an attempt to outlaw the exportation of cocoa beans. The censure was to be carried out from the early 1991 with an objective of evolving the Nigerian cocoa industry to elevate local industrial development, reduce unemployment, improve foreign exchange revenues, and enable technological transference. Nevertheless, the law was abrupt for the reason of strategy failure and demands from stakeholders, particularly the Cocoa association of Nigeria (CAN), which emphasized that that the capability for local industrial manufacturing was incapable for processing the amount of cocoa beans produced nationally (Olomola et al., 1993; Ojo 2005). Apparently, there was a positive aftereffect on the censure, which is the founding of two cocoa manufacturing industries in 1992 namely; Stanmark Ltd which was founded by a subsidiary of an international company Cadbury Nigeria Plc and the other company Cooperative cocoa Products Ltd which was founded by the Cocoa Association of Nigeria (CAN) with sponsorship from the governor of one the cocoa producing states (Ondo State).

3.2.3 THE COCOA TRADE IN NIGERIA

Before the oil flourishing times in Nigeria, the primary trade commodities were cotton, groundnut oil, palm oil, rubber and cocoa. However, after 1975 only cocoa remained significant with the trade adjustments. The government in the late 1970s and mid -1980s with aid from the World Bank reinstated the rate of cocoa production through reforestation programs and manufacture expense supports (Nwachukwu et al, 2010). Operational amended rules led to market liberalization, followed by the closure of commodity boards, the initiation of free market pricing rules and the instability of cocoa prices. In the olden times, cocoa was sold in Nigeria through monopoly- monopsony market boards same with Ghana but

differently with other cocoa producing West African countries like Cote d'Ivoire and Cameroon where it was sold through 'Caisses destablization' (Gilbert 2008). The internal and external crop marketing decisions were made by parastatal agencies that were in charge of the marketing boards. However, Caisses destablization regulated the internal prices and also was in the custody of the product all through the supply chain, whereas private agents chosen by the Caisse handles the physical control of the product from the harvester to the exporting stage. In 1986, Nigeria liberalized the cocoa trade making it the number one African country to liberalize cocoa trade in the wake of the World Bank's proposition that agricultural marketing boards in Africa were not productive and the idea to free agricultural trade due to the free access of foreign exchange motivated the abolishment of marketing boards by the Nigerian Government (Gilbert 2008).

3.2.4 THE NIGERIAN COCOA VALUE CHAIN AND PROCESSING

Not more than 29,000 farmers grow cocoa in Nigeria and the overall production of cocoa in Nigeria is abandoned to smallholders. The deficiency in rural labour is the chief limitation to growth in production as well as the fairly aged labour force (Ogunleye and Oladeji 2007). Oxfam (2001), reported that approximately 56 percent of the cocoa growing households in Ogun state are food vulnerable. An average cocoa cultivator in Nigeria has a farm size of about 2.4 hectare, although the size of the harvested area varies across the 14 cocoa producing states (Oguntade 2000). In general the approximate production from one harvester is more than 4 bags per season which is approximately 298kg per hectare of cocoa (Nwachukwu et al 2010). The high season for harvesting the cocoa beans is between December and early June. The cocoa beans are usually harvested by hand due to the lack of infrastructure. The seeds are thereafter fermented at a pulverized stage for about one week and then left to drain for 21 days after which it's packaged and ready for exportation (World Bank 2007). The early stages of cocoa processing and other cocoa derivatives are done in Nigeria; moreover a bulk part of cocoa is sold abroad as beans. The processing of cocoa comprises of

the transition of the beans into powder or cocoa butter, these are the two major intermediate cocoa derivatives and such transition is often done by cocoa grinders. The amount of butter derived from the cocoa beans is totally dependent on the quantity of fat in the beans whereas the powder is usually taken into account as a by-product of cocoa manufacturing from paste and shells. The butter and powder are afterwards mixed in various quantities to derive chocolate including the addition of milk and sugar although cocoa powder is however used as an ingredient in producing other confectionary products (Gilbert 2006). Nigeria has been proved to have the ability to produce locally of some measure of cocoa derivatives such as butter, but the product is often very low in quality when sold locally or shipped overseas. Gilbert (2006) also reported that the quality of cocoa beans shipped abroad is inspected by grading agents after been purchased for sale by local area agents or local buying agents. The purchase is usually done at the farm gate and then taken for inspection before been exported or sold to locally. The local buying agents could be individuals or companies (USDA 2007). The demolition of the Nigeria Cocoa Marketing Board (NCMB) nearly took along with it the organized marketing of cocoa both locally and internationally. A group of researchers, (Nkang et al 2007) carried out a study in Cross River State which is the third cocoa producing state in Nigeria, the research was carried out specifically in Ikom and other bordering rural markets, reviews that the markets are entirely united and the rate of price communication from the urban markets to the rural markets is above average. Ikom is a popular city in Cross River State generally known for the exportation of cocoa beans and also for local use. The demolition of the commodity board also resulted to random buying and selling of cocoa which increased networks for manufacturers to advertise their produce. The networks was approved in response to the mode of transaction and the price of the commodity, other expenses such as transportation, distance and the grading results were huge criteria (Nkang et al 2007). Another research carried out in Osun state which is the second cocoa producing state in Nigeria reviewed that farmers would rather sell their products to nomadic buyers to reduce cost due to transportation and lack of infrastructure. Also, insecurities are

usually attributed to grading of the product because of the reoccurrences of price reduction or product rejection. In addition the manufacturers would rather not have to deal with these effects and prefer to sell only to middle men (Nkang et al 2007). The multinational grinders or domestic organisations controlled by the grinders are usually the chief exporters of cocoa in Nigeria. According to Ajetombi (2011), there about 122 registered cocoa exporting companies with the Nigeria Export Promotion Council (NEPC) but a hand full are responsible for approximately 55 percent of cocoa exports per annum; the cocoa export market is controlled by three major export firms in Nigeria. These organizations however have to deal with challenges such as tax and levies and free market structure enforced by the Nigerian Government and other cocoa bodies. The inadequate mechanism and lack of communication in cocoa trade also affects the general performance of cocoa international trade. In overall the marketing network between the manufacturers and exporters comprises of at least two intermediaries who are the petite traders and the wholesalers. In various instances, the product will be sold without the use of intermediaries to the exporters with the aid of farmer's associations. The market prices are usually very unstable and are received mainly by the producers and cocoa companies. The early times of the liberalization of cocoa, battled with high increase of transport cost, exportation cost and increased tax which solely affected the farmers. Also, a price communication analysis carried out by Ajetombi (2011), on three cocoa manufacturing states (Ogun, Ondo and Cross river State) respectively showed that the local cocoa market is theoretically less competitive particularly with the price performance of the cocoa exporting organizations.

3.3 CONCEPTUAL FRAMEWORK

It could be said from the above review that globalisation to an extent has an influence on the development of a sovereign state. The impact of globalisation on the cocoa industry in Nigeria in my opinion, will best be looked upon looking at the influence of globalisation on the development of

infrastructures, well-being of the farmers, price and export quality. Due to the evolution of globalisation, the importance of natural resources has come to play a primary role in the development (economic) of the country in question. Having said that, I decided the appropriate way of analysing my findings will be using three variables namely Structural Change, External Influence on Government and Environmental conditions (Schuurmans 2001). These variables according to Schuurmans (2001) depend on each other and are suitable for analysing changes on development. Changes in any of the variables affect the other. Having the above concept, I have come up with the following model framework to aid in the analysis. The idea behind the model is to show how globalisation has impacted on the cocoa industry in Nigeria using these three variables.

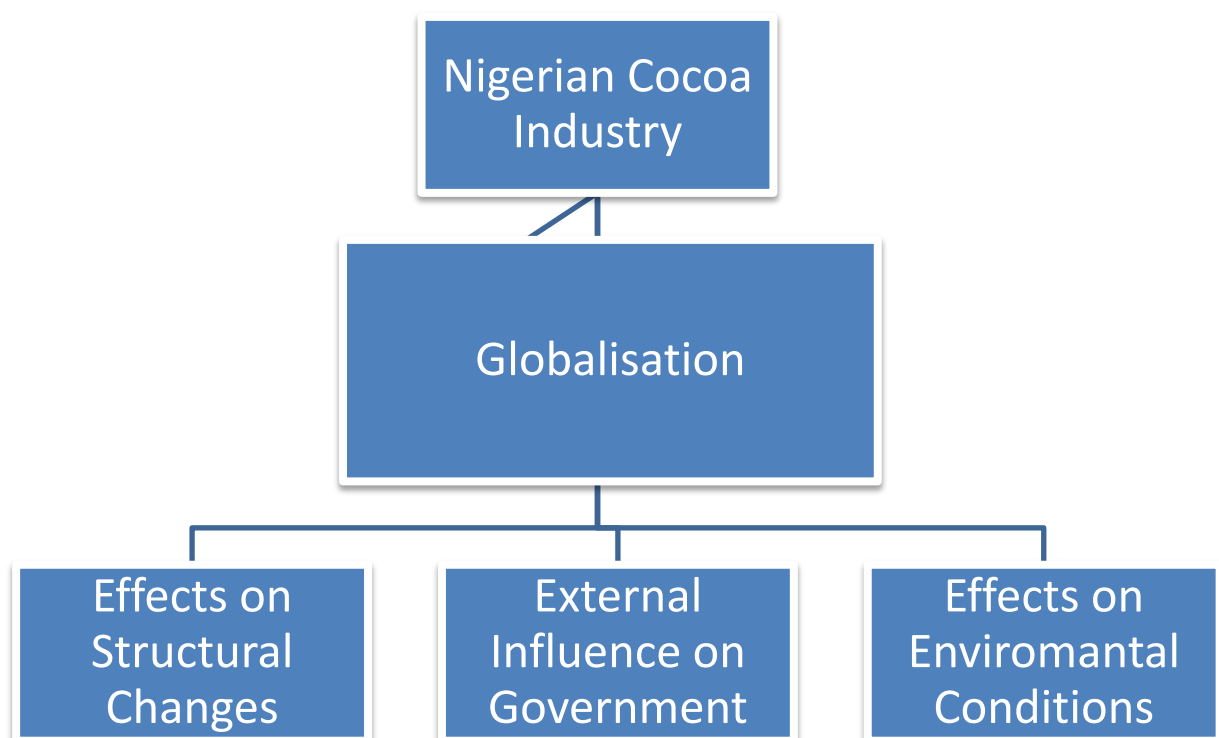


Figure 1: Conceptual Framework (Own model).

4.0 EMPIRICAL DATA

This chapter will concentrate on providing documented data on the background of the Federal Republic of Nigeria, the Economic history of Nigeria, a background of the cocoa sector in Nigeria and policy decisions and actions taken due to role of globalisation to improve the Nigeria cocoa sector.

4.1 BACKGROUND INFORMATION ABOUT NIGERIA

Nigeria, the most popular country in Africa and densely populated with approximately 140million individuals is located on the Gulf of Guinea in West Africa. Its former capital was Lagos before it was taken over by Abuja in December 1991 with the location of the 'Aso rock' which is the presidential home for the ruling president. On October 1st 1960, Nigeria gained its independence from the British colony. From 1960 to 1999, the country was ruled by military Government and had seven different military rulers of which three were assassinated. From 1999 till date however, the country has sustained civilian governance. Nigeria is seen to be an under developed country, although its economy has been recently declared the largest in Africa. With an estimated GDP of \$191.4billion (CIA 2014), its major industry earner is the petroleum industry which is followed by agricultural exports accounting for a huge part of the local and foreign exchange income.

4.2 ECONOMIC HISTORY OF NIGERIA

For about 500years, international trade has positively impacted on the economic development of Nigeria (Metz 1991). Firstly it was the trade of goods before it extended to slave trade. It is notable to say that slave trade although an immoral behaviour had a positive impact on the economic development of Nigeria. Even though the economy gained this when people

was being enslaved, farmlands suffered cultivation. After slave trade was announced illegal, Nigeria sought for their resources which could be traded international for the further development of their economy (Metz 1991). During the times of the British regime in Nigeria, the country's economy was governed by the rules and regulations assigned to them. Like every other colony, the country started its trade with the export of their natural resources as raw materials for manufacturers in Europe who in return sold the final produce to Nigeria on a much higher profit margin. As the years went by, the British revolutionised and developed the infrastructure of Nigeria. This assisted in the local manufacturers to acquire the leading position over imported goods which boosted Nigeria as a net exporter (Metz 1991). Though a huge number of Nigerians were dependent on the agricultural sector where their income was just enough for survival, the country to a large extent benefited from globalisation of industry by the British regime (Ekundare 1976). The British Government during their regime in 1914 merged the northern region and the southern settlements to form the country 'Nigeria'. The early times of the century and the recession contributed on the decline on the economic development of Nigeria. However, at the end of the Second World War and the impact of globalisation with international trades and foreign exchanges brought hope to the economy of the country. Even though Nigeria stayed an agro economy, it built lots of modern industries. The oil discovery although in the years of the British colony and a stable political and political situation at the time helped the country step into its independence with the expectation of becoming a better place of inhabitant.

4.3 THE NIGERIAN COCOA SECTOR

The cultivation of cocoa started in Nigeria in 1874 after a local chief founded a plantation at Bonny in the redundant Eastern part of Nigeria (Amos 2007). The FGN (2006) reported that Nigeria was capable of producing about 5,976,755 metric tons of cocoa, which summed up to 10.25 percent of the

world's total cocoa production (FAO 2004). The production of cocoa is a key agricultural interest in Nigeria which has contributed to one- third of the country's gross domestic product on an average of 36 percent GDP (CBN 2004). It is notable to say that the world production of cocoa in Nigeria is on a scale of over 2.8million tons. The largest cocoa producing state in Nigeria is Ondo State which is located on the southern region of Nigeria (Amos and Adeleke 2011). The state (Ondo) is populous known as the cocoa belt or the land of cocoa farmers in Nigeria. Agriculture is the highest non-oil export earner and a major influence on the reduction of poverty, creation and jobs and income earnings (CBN 2005). In regards to this, the export of cocoa plays a very huge rule. In regards to foreign exchange earnings, cocoa has earned more than any agricultural export commodity in Nigeria. In regards to employment, the cocoa sector and sub sectors has offered tremendously a huge amount of employment in various ways to people both directly and directly. Cocoa with no doubt is a vital source of raw material and source of revenue to the governments and the people of cocoa producing states (Nkang et al 2007). However due to its significance of cocoa, the Federal Government was concerned on expanding the export base of the nation and this notion placed cocoa as the most important agricultural export crop in Nigeria. It has been proofed that however there has been a decline in the rate of production of cocoa in Nigeria and this led to the affluences of other sub sectors (Nkang et al 2007). It was recorded that Nigeria experienced its first decline of cocoa production in 1976 when its exported decline was up to 215, 000 metric tons and in 1988 it further decline to 99,000 metric tons which as a result reduced the country's market share to approximately 7 percent to the fourth largest cocoa producer till date. In a meeting with the cocoa stakeholders in Nigeria in 2013 held in Abuja, there was a debate on how to attract investors and strengthen other issues ranging from lack of infrastructure, the well-being of the farmers and recondition governments concern to boost the production of cocoa both for domestic and international use (CBN 2013).

4.4 NIGERIA'S COCOA ECONOMY: PAST AND PRESENT

Cocoa is no doubt the key contributor in foreign exchange earnings in the Nigerian agricultural sector. It became a significant produce in the agricultural sector in the early 1950s with an approximate of 317 000 metric tons in a period of 4years, from1950 to 1954 (Akinwunmi 1996). However, in 1976 there was a decline in the general national output which further declined to at least 215 000 metric tons per year. In the process of trying to regain the glory days of cocoa in Nigeria, other producing countries like Cote d'Ivoire, Indonesia, and Ghana progressively boosted their output. In that regard, the total World cocoa productions multiplied but while the world total output increased progressively, the world prices became unstable in the period of 1987 with a price value of \$2264 per metric ton and a decrease in 1992 for \$1326 per metric ton. The price instability continued over a decade and gradually increased only in the year 2006 (Akinwunmi 1996 and Ajetunmobi 2011). The cocoa manufacturing and price movement had a tremendous influence on subsistence and food security of the local farmers and their families. Also, the main actors in the value chain of cocoa were also affected by this price instability apart from the local farmers. The major players in the cocoa value chain that was affected includes the exporters, the itinerant buyers, transporters, cocoa grinders and companies and shippers. It was clear by the middle 1990s that the industry needs to be revolutionized in the quest to grow and improve the income earnings and general standard of living for its dependants (Adegeye 2006, Akinwunmi 1996). The decline of the general output of cocoa happened for decades and the first outbreak of decline which happened before 1985 was linked to elements. The most obvious is the exploitation of oil (Adegeye 2006). Secondly the most important but ignored reason is that several players in the cocoa industry was more attentive to sales than production. Some other contributing factors includes the demolition of the Nigerian cocoa boards which built a huge gap in the areas of farmer's financial support, input supply and manufacture quality control. This gap steered the poor administration of the cocoa farms, this increased the growth of pest and disease, thus steering the high cost of

administration and management of these crops, crop loss and loss of farm lands. Farmers were also deprived of their farmlands if they were in debt due to the lending structure of using lands as collaterals to money. Such trying times for farmers led to poor management of their farm lands by their lenders who will at the return a dead farm land at the end of their loan. The structure of the loan refund usually prevented farmers from alternative plans for their farm lands therefore increasing decline in production, low soil fertility, causing aging of the farmers, rural- urban resettlement and lack of education all contributed to the low productivity output (Adegeye 2006). Another decline outbreak happened after the introduction of the Structural Adjustment Program (SAP) which had a direct impact on the value chain of cocoa and its effects had the international cocoa market making alternative arrangements over a long period of time in the exportation of cocoa. In the beginning, manufacturers of cocoa exported them through intermediaries in Europe and other consuming places where it was sold. Shortly after the marketing board was established, the complete right of individual purchase and export of cocoa together with the obligation of producer price stability piled up excess suppliers. The marketing boards were in charge of buying the product through an appointed licensed buying agent yearly. The intermediaries opposed for the gathering of cocoa through storehouses which were located in the rural areas of the cocoa manufacturing states and organised the transportation of cocoa to the cocoa marketing board warehouses and ready for export. Also they were paid by commission per tonne of cocoa bought to take care of expenses and leave them with a realistic profit. The cocoa marketing board was in charge of exporting and other administration work ranging from insurance and related expenses. In terms of quality control, the marketing board through cocoa inspection sector took up a price discrepancy policy to promote quality advancement of the produce (Adegeye 2000). The Nigerian government in 1985 approved the application of a Structural Adjustment Programme (SAP) towards the achievement of an extensive liberalization of the agricultural sector and to also aid in putting policy measures in place to actualize set targets. The adjustment policy instantly piloted about 250 percent increase

on the cost of maintenance of the farm lands while the manufacturing cost also piloted to about 750 percent. The boost produced a definite gross margin of N1, 474.00 per hectare in the 1988 whilst the approximate gross margin per hectare was N104.99 in 1984. The first progressive effect of liberalization drew the attention of several novel entrants as buyers and hoarders. The novel members generated a huge space between producers and the end markets. In that effect, the early post- liberalization phase was synonymous with low source of income and lack of diversification, low structured trade, vulnerable and weakly managed farmer establishments. Decline in production and low quality of produce led to domestic and international market loss. The deficiency of a controlling body also resulted in the vulnerability of the market price instability and quantity falsification by intermediaries. Inadequate governmental maintenance, expensive farm care, lack of cocoa seedlings, however, contributed to the decline in production and low quality of produce. This is the main reason for the low quality beans shipped overseas and the rapid collapse of the Nigerian cocoa value (Oguntade and Adegeye 2000). The principal organisation in charge of the improvement of the Nigerian cocoa sector is the Ministry of Agriculture and Rural Development. This organisation has implemented various policies that anticipated certifying growth in productivity, superior cocoa quality and better means of support for the local cocoa farmers. The strategy push was concluded in the recent Cocoa Transformation Agenda (CTA) and the government took an additional wide-ranging and practical method by creating an Agricultural Transformation Agenda from the Cocoa Transformation Agenda project. One of the major push is to fund chief layers in the cocoa value chain via public private collaborative programs example the recuperation of approximately 195 000 hectares of cocoa farm lands through private sector funding. The time consuming project of the Nigeria Cocoa Transformation Agenda is to increase the Nigeria's cocoa world market share as well as eradicating disputes such as low quality manufacturing, little produce, sustainable environment, labour, land tenure, eradicate poverty and improve the well- being of small scale farmers, inspire youths, increase market access, stabilise price, improve access to funds and

other issues such as migration. The transformation agenda also intend to increase the rate of cocoa production in the next couple of years with the funding from the International Institute of Tropical Agriculture (IITA 2007). The International Institute of Tropical Agriculture is anticipated to employ developed micro fertilization procedures to improve uncontaminated and disease free cocoa tress to improve standardized produce and increase the revenue of local farmers and also ensure the sustainability of cocoa and the environment in the future. The organization in collaboration with Cocoa Research Institute of Nigeria (CRIN), National Centre for Genetic Resources and Biotechnology (NACBRAG) and other government parastatals are anticipated to construct the nation-wide capability on the new machinery. The International Institute of Tropical Agriculture's approach will also involve the preservation and sustenance on the diversification of cocoa in Nigeria. A production increase in the strategy is to multiply the amount of semi-manufactured cocoa shipped overseas in order to improve revenue for local farmers. Also, change farmer's location from the farm gate to the factory gate to go beyond local grinding and processing into cocoa butter, liquor and other cocoa derivatives. Enhanced domestic utilization of the cocoa powder is however being promoted through advertisements and awareness promotion on the health benefits and nutritional impacts of cocoa. This awareness has been successful through the aid of the Ministry's collaboration with the various government schools and health care centres in different states. Another vital action is the marketing of the new cocoa hybrid produced at the Cocoa Research Institute of Nigeria (CRIN). The institute is also in charge of the improvement and fertilization of quality produce and good manufacturing procedures that will improve productivity and high income returns. The newly developed hybrids are seen to be very productive and are distributed free of charge. A total amount of 420,000 new hybrid pods were reported distributed in early 2012 and another 320,000 pods in 2013. There were distribution centres in the 14 cocoa producing states in Nigeria, in the North East, South West, South South and lastly Taraba State. Approximately 10,700 small scale farmers in over 260 communities in 7 cocoa producing states benefited from trainings on farm

recuperation and sustenance, among others. The major aim of the Ministry's strategy is to increase the rate of cocoa production of small scale farmers which is aimed at increasing from 300, 000 metric tons to 440, 000 metric tons yearly by year ending July 2013. The growth was accredited to the Cocoa Growth Enhancement Scheme (CGES) which was created to take care of the needs of the small scale cocoa farmers to ensure maximum inputs like provide good seeds, pesticides and fungicides (eradicate black pods and other insects that affect the quality of the crop) and create more awareness to entice the youths into the cocoa farming business (Omolaja et al 2011). By the year 2020, the Federal Ministry of Agriculture in collaboration with the World Cocoa Foundation intends to train over 75,000 cocoa farmers. As the project includes, the Ministry is supporting cocoa farmer groups and organizations to be ardent business individuals with expertise on exportation. A further critical attribute in the development of the cocoa value chain is the idea of founding the Cocoa Corporation of Nigeria (CCN). The structure for its management was designed with the contribution of several cocoa farmers, delegates from the South- East, South-West and other delegates from the cocoa shipper's council and Non-governmental organisations in Nigeria to deal with dead farm lands resulting from oil spillages and terrorism. The organisation is however proven not effective has terrorism is on the rise in the northern part of the country and farmers fled their farmlands increasing low production rate. The combined efforts being made to improve the country's world cocoa market share is a sign that the capability of the agricultural sector is after so much attention to the petroleum industry being acknowledged and it brings hope to the fact that the resources in the agricultural sector can be utilized for economic development. The endeavours of these institutions are also anticipated to supply suitable farming equipment for farmers and also increase sources of revenues to improve the system of living for small scale farmers and their families. However, the possibility of an accomplished plan can only be more successful with a re-evaluation of the critical issues that needs to be solved from a different point of view and maybe require innovation.

4.5 GLOBALISATION AND THE NIGERIAN COCOA SECTOR (POLICY DECISIONS AND ACTIONS)

In spite of the great capabilities of cocoa in contributing immensely in the development of the agriculture in Nigeria, it is shocking and fateful to note that the development of cocoa production in Nigeria is not stable, at some point the country desperately sought for expansion from its monolithic economy that revolves around the exportation of petroleum to promote herself into top 20 world's greatest economies by 2020 which was envisioned in the Vision 2020 project (CBN 2013). Apart from the reports on low productivity from cocoa farms among other issues in Nigeria, a substantial amount of cocoa produced in Nigeria are moreover done in poor environments (Daniel 2009). Child trafficking which is a critical issue and other practices of child labour, funding of religious and political conflicts are major issues associated within the Nigeria cocoa sector (Obadan 2001). Other serious issues barely stated includes: poor health and safety measures of the farmers, loss of property rights, the crop harvesting techniques (methods of use of pesticides and fertilizers) and the effects on the health of consumers as well as the environment. The local farmers up to date still cultivate with traditional equipment known as hoe-cutlass tradition and the source of revenue can only be structured in form of the capability of the traditional tools and frequent usage of underage children and family labour. However due to the advent of globalisation, as stated earlier in this report the government initiated policy decisions to eradicate these problems facing the growth of the Nigeria cocoa sector (CBN 2004). The major push is to multiply food production and generally improve the agro-business industry. The National Investment Plan (NAIP) involves cocoa and other commodity which includes (cassava, wheat, sugar, rice, palm oil, cotton) has been chosen for particular attention. A policy review report by the World Trade Organization (2011), stated that there are three major initiatives which have effected on the Nigerian agricultural sector through recent publicized expenses: the fertilizer program which includes purchasing and supply, the

National Special Program for Food Security (NSPFS) and the procurer of the final recourse seed purchase. These are responsible for 42, 21 and 25 percent of the recent expenditure in 2010. Among these three programmes, the fertilizer program has a major impact on the Nigerian cocoa sector, although detailed data on fertilizer expenses related to the cocoa sector is not reachable (WTO Review 2011). These particular policy measures and initiatives listed below have been proven to have a direct impact on the development of the Nigeria cocoa sector which also includes a combination of involvement and financial support: The National Cocoa Development Program (NCDP) and the National Cocoa Development Committee (NCDC) and these two initiatives were created in the year 2000. The idea behind the introduction of the National Cocoa Development Committee is to organize the cocoa development programmes in the 14 cocoa producing states in Nigeria. The future goal of this programme is to reach the yearly manufacturing height of over a million metric tons by 2011 by equipping the recuperation of 16,000 hectares of cocoa farms yearly, develop pest and disease infestation resistance diversities; classified agro-chemicals among other contributions were supplied to support farmers to replant with the objective of eradicate the implications of low quality production farms in Nigeria. Although other objectives include the improvement of cocoa producers revenue earnings and expansion of foreign exchange earnings by multiplying the rate of production. Apart from the fertilizer policy there are several other recent initiatives that has direct influence on the Nigeria cocoa sector, thou their particular influence cannot be measured. Moreover, it has been documented that both the federal and state government supply fertilizer and other means of support to cocoa farmers to improve output. The support from these legislators however varies from one state to the other from one year to another. The Federal Market Stabilization Programme (FMSP) permits qualified organizations to manufacture and purchase fertilizer overseas for distribution to the state governments with a sponsorship of 25 percent. In addition, it's dependent on the state government to decide on increasing the percentage of sponsorship. However, this agreement resulted to exploitation by government employees

and contractors who stockpile or avert the produce (Olomola 2010). For this reason, regardless of the government's yearly investment, it was deliberated that fertilizer only received exactly 10% sponsorship. Furthermore, the National Investment Plan (NAIP) placed an objective of 35 percent growth of fertilizer consumption in the period of 2010 to 2016, with a total requirement estimated to increase to about 2.5 to 3.5 metric tonnes by the year 2016. Three major programmes were initiated by the National Investment Plan to dynamically aim at the growth in the utilization of fertilizer includes: The Organic Fertilizer Development Programme (OFDP) which campaigns for the adoption of organic fertilizer 15 with support from the Public Private Partnership (PPP) strategy. Secondly, the Fertilizer Quality Control (FQC) design targets at growing the superiority of fertilizer supplied and utilized. Lastly, the National Foundation Seed Multiplication targets at emancipating very high superiority foundation plants to specialize manufacturers. Local cocoa programmes as for local polices, in a meeting of local cocoa policies held in Abuja in 2006 with delegates from core cocoa producing countries agreed to improve the utilization of cocoa in their various countries with the aid of a national awareness of user campaign tagged 'sensibilization' including the improvement of cocoa derivatives (Gilbert 2006). In reference to Nigeria, it has been reported that the Cocoa Research Institute of Nigeria (CRIN) has functioned on the improvement of cocoa derivatives such as cocoa butter, cocoa liquor, cocoa cakes among others, alongside the improvement of virtual copyrights and resource mobilization to improve individual financing in the sector and innovative products. As of early 2008, the Cocoa Association of Nigeria (CAN), whose approach focuses on growing the rate of regional cocoa utilization, was the solitary developing country's member of the International Cocoa Organization (ICCO 2007). The Presidential Transformation Agenda (PTA) which was inaugurated in 2011 focused on the distinguishing agricultural business, supporting individual financing in agriculture and also the improvement of the private sector propelled marketing companies and the publicity of the Nigerian Incentive based Risk Sharing for Agriculture for Lending (NIRSAL). Several commodities including cocoa, rice, wheat, cotton

among others was highlighted by the Presidential Transformation Agenda as a nation-wide commodity with particular transformation agenda especially in the producing states (Nigeria Direct 2008). The particular objective of the cocoa transformation agenda is to promptly boost the amount of cocoa production with a joint strategy of bigger output and sowing fresh and reproductive cocoa trees. Specifically, the plan envisions multiplying old cocoa farms by 35 percent, through a plant expansion program and the founding of fresh farms over a cocoa improvement sponsorship. In addition, the Presidential Transformation Agenda strategy appeals for modified cocoa fertilizer melds to be used for a positive and improved harvest of up to 550kg per hectare. In regards of the trade policy measures, Nigeria has applied the Common External Tariff routine (CET) among ECOWAS nations since 2006. The country is recently operating on the 35percent charge on 167 pricelist of commodities; the World Bank (2010) stated that none of these commodities has non-zero trading value. Nigeria's pricelist remains at 13percent while the approximate trade charge for agricultural product is 16percent. Working on its restraining local trade policy strategy, the country deployed a protective policy with other international cocoa producing countries. The ECOWAS Commission (2008), reported that Nigeria refused an Economic Partnership Agreement (EPA) with the European Union. The country also banned the international purchase of a lot of agricultural products in 2004, as a motivation to the improvement and utilization of domestic manufacturing. Products such as poultry and poultry products are still facing the ban strictly by the Nigerian Customs. The country affirmed no local support or trading sponsorships to the World Trade Organisation commission on agriculture in the 1996-2010 times (WTO 2011). A total of 15 shipping commodities including cocoa still face challenges such as price instability alongside unpredictable set of laws by the Nigerian Customs. However, local cocoa derivative producers profit from the specific cocoa-trade policies from the export processing industry status policy which sponsors local companies. This policy excludes the domestic producers from paying tax and other charges inflicted by the government. Moreover, the trade charges for cocoa in 2008 was 5 percent according to the Export

Expansion Grant (EEG), the trade charges for cocoa derivatives was 25 percent in a report by (ICCO 2010) although a detailed data on other years were not obtainable. According to a research on the ideal trade charges for cocoa producing countries, ICCO authenticated a 5percent ideal trade charge for cocoa in Nigeria (ICCO 2007). In addition to that the national custom tariff stated that the 5percent charges remained from 2007 to 2012. The World Integrated Trade Solution (WITS 2007), also reported a 5percent charge in the year 2007. Besides, the cocoa producing states inflict taxes on cocoa shipped out of their various states. Inspection is also done at the state borders afterwards wrapped in order to measure the weight and taxed according to the number exported.

Table 1

YEARS	METRIC TONNES PRODUCED	WORLD/ MT	PRICE PER M/T (NAIRA)	WORLD PRICE PER M/T (US\$)
1874/ 1949	-	-	-	-
1950/59	317 000	1,526,000	800	1, 157
1960/75	380 000	1,868, 000	2, 000	1, 289
1976/79	215 000	1, 229,000	3, 000	1, 500
1980/85	60 000	1, 259,000	8, 000	1, 800

1986/88	99 000	1, 765, 000	10, 000	2, 264
1989/99	255 000	1, 980, 000	90, 000	1, 326
2000/03	160 000	2, 220, 000	70, 000	1, 970
2004	201 000	2, 340, 000	180, 000	2, 890
2005/08	220 00	2, 510, 000	250,000	2, 890
2009/13	240 000	2, 994, 000	300, 000	3, 200

Sources: IMF 2014, ICCO 2010.

This table shows the increase and decline rate of cocoa produce from the year it was introduced in Nigeria till the millenniums and also the unstable world prices and price per tonne traded in Naira.

5.0 ANALYSIS

This chapter will analyse the empirical data getting suggestions from the literature review on the impact these occurrences have had on the development of the Nigerian cocoa sector.

5.1 INTRODUCTION

In this analysis, the empirical data on the Nigerian cocoa sector will be related to 3 variables described earlier on this report namely: the Structural Changes, the External influence on the Government and the Environmental Conditions. As suggested by Matsuyama (1997), structural change implies economic developments such as difference in unemployment and constitution of industries. According to Miller (1992), the External influence on Government can be seen clearly through the policy and political volatility of a country. Hackett (2008) also argued that the task carried out by the Government is a vital element on the development of the country. In reference to the Environmental conditions (Service Canada 2005 and NEC 2006), stated that changes to the environment can also ensue from firm's interests and such lead to underperformance of natural resources. However to ensure the development of a country, Pearson Education (2002) argues that all these differences should make a positive impact. Although every single action taken for the development of the Nigerian cocoa sector can have an impact on more than one variable, this report will however

concentrate on the effect their actions have on the variable that is majorly impacted.

5.2 COCOA (NIGERIA)

Heyer et al (2010), stated that globalisation impacts partly on the development of Nigeria cocoa sector and their economy at large through the payment of taxes and levies that create direct and indirect employment which has multiplied their environmental and societal activities. However, the aim of this report is to look at these impacts on the improvement of the Nigerian cocoa sector.

5.2.1 STRUCTURAL CHANGES ON THE COCOA INDUSTRY

The cocoa industry as an important agricultural sector in Nigeria has effects on the structural change in several direct and indirect approaches. One of the major direct impacts is the improvement on the wages of the farmers and employment. As (CBN 2004) stated, the Nigerian cocoa industry initiated policies and campaigns for the improvement of the local farmers and the general economic growth of the country, but the effects are not as strong as the industry is showing. These policies and initiatives do not seem to be enough to oppose the everyday growth of poverty and unemployment. Although these programs tend to improve the livelihood of these farmers, half of the expenditure goes acquiring of traditional technologies, transportation and exportation. A perfect and undamaged cultivation and farmland cannot be achieved with these out-dated tools neither can the job be done by unskilled farmers as more farmers need to be trained. The interest of private investors in acquisition of farm plantations and the agricultural sector has turned Nigeria from a country which was at least satisfactory in basic food production to a country which has to trade in these fundamental products. The changes in the cocoa industry in Nigeria can be

seen from two angles. By initiating policies to improve the revenue income of farmers, even though only few farmers are benefiting from it, these policies in one way or the other improved the development of the cocoa sector by offering farmers a higher income revenue and improved livelihood. As for the local economy this change is still having an overwhelming effect because these farmers are still living below poverty standard and the industry is less attractive with such standards to entice the youths and intenders. Analysing findings on the liberalisation of trade, it can be said that Nigeria was not prepared for competition from the West and thus the benefits of trade liberalisation has not been affirmative. According to Reinhart and Tokatlidis (2003), trade liberalisation policies have appeared deficient in organizing savings, expanding intermediaries or increasing investors. However, majority of economists acknowledge that in the future, open economies tend to progress compared to the closed economies and that moderately open policies extensively contribute to the development (Winters et al 2003). Nigeria, however after more than 25 years of trade liberalisation is yet to experience positive impact on the Structural Change of the cocoa sector as well as the economic development of the country. Also the discovery of petroleum led to a decline in the agricultural sector which had a negative effect on the structural change. Another issue affecting the structural change of the Nigerian cocoa industry is the use of traditional equipment known as 'Hoe and cutlasses. This equipment's are used manually and doesn't guarantee a green environment like the safety of the farmers. However, this traditional equipment can be also attributed to the damage of the harvested crops. The policy for the improvement of infrastructure needs revaluation for a successful vision 2020 to take place. Deliberating on Matsuyama's (1997) explanation of Structural Change, it can be noted that globalisation's impact on the cocoa industry in Nigeria has been reasonably positive and improved the development of the sector as well the development of the economy of Nigeria. These positive effects can be seen on the increase on employment in regards to the establishment of the cocoa boards and policies for the improvement of the sector and better livelihood of the farmers. Lastly, the table above proved the instability of the price (domestic and international) of

cocoa. The market performance of this produce can only be better with a stable market price.

5.2.2. EXTERNAL INFLUENCE ON THE GOVERNMENT

The cocoa sector as one of the biggest agricultural foreign exchange earner has due to its economic strength, impacted on the Government of the country. This impact was been carried out through the implementation of laws and initiatives to help better the development of the cocoa industry in Nigeria. These changes are often refused by the people and had often led to riots because the farmers feel the government is using the benefits for their own cause. An unsteady government was the cause of these riots. Another disrupting action that had a negative impact on the Government was the drawback on agriculture after the discovery of oil and the undivided attention to the oil industry, giving cocoa dealers the possibility to pay less taxes and levies to the government. This money would have contributed positively in supporting projects in the development of the cocoa and the economic development of Nigeria. An indirect impact of the reduction of taxes and levies paid to the government is highlighting the problem of money regulatory. In Nigeria this regulatory symbolises power and for this reason there has been cases of civil conflict and even wars. The cocoa sector does not seem to have a direct impact on the political instability of Nigeria in terms of impeding on the change in the state of affairs. According to my findings, the cocoa business is barely unaltered by the change in laws and regulations as the interest in agricultural revenues will remain same which proves the agenda of improvement programs. Considering the explanation of Miller (1992), it can be seen that the cocoa industry is negatively affecting the political and policy unsteadiness in Nigeria. Even if the government said the payment of taxes and levies are not hoarded and used for the development of the sector, the overall belief of the people and the standard of the farm lands says otherwise therefore leaving a negative effect on the development of the sector.

5.2.3 ENVIRONMENTAL CONDITIONS

The negative impact the cocoa industry activities is having on the environment of Nigeria has increased several grievances mostly on the poverty rise of livelihood affecting individuals with cocoa farming as a major source of income (IMF 2014). Also the act of lending in collateral with farm lands stalls an effective farm land and therefore the affecting the economy and development of dependants. Not to mention the act of terrorism this is a major defunct in productive farm lands. Neglected farm lands with oil spillages, have the highest negative influence on low production and the environment at large. The plan to ban imported foods will hopefully increase the dependence of people on domestic produce and encourage effective farming which will only yield from a productive farm land. The industry however, waste productive farmlands due to the usage of old equipment, this act not only destroys the environment but also waste harvested produce. The low quality produce has reduced the value of the natural resources of Nigeria. Even if these initiatives are working to improve the quality of produce, the value lost will require more to innovation for a breakthrough. After years of international trade, the Nigerian cocoa industry has only reduced the value of agricultural resources in the country. Considering the explanation for environmental conditions by the (Service Canada, 2005 and NEC 2006), it will be seen that the cocoa industry through the manufacturing of low quality produce and destruction of agricultural resources has a negative influence. However, it can be said the negative environmental condition in the country is influencing the development of the cocoa sector.

6.0 CONCLUSIONS AND RECOMMENDATIONS

This last chapter will summarize the analysis on the contribution of globalisation to the development of Nigerian cocoa sector.

6.1 CONCLUSIONS

Looking at the analysis of this work, it can be seen that globalisation to some extent has had not so much positive impacts on the development of the Nigerian cocoa sector even though it still has lots of setbacks. The value of globalisation for an under developed country like Nigeria is situated on the capability of wealth creation by means of exportation growth, profits from diversification of exported goods and services and approach to new inventions intended in the world markets. Globalisation has however been discerned to be managed in suitable ways using applicable fiscal policies despite the opportunities it brings. Globalization brings increase in macro-economy instability that has depicted the Nigerian government. This issue indicates that the Nigerian economic development may stay only a fantasy and tough to objectify. An extremely globalised and incorporated financial market grows speedily across nations. Price instability leads to financial shocks, loss of market value, affects exchange rate and interest rate as well as output, employment and eventually social effects. The rate of Nigerians living below the poverty line has been on the rise since the 1980's despite the fact that the country itself is a very rich country. Majority of the time, it's the minority farmers that benefit from these programs and that is the reason why the effectiveness of these programs are vague and the eradication of poverty with these initiatives and sponsor are still questionable. The IMF once reported that for globalisation to succeed it must impact the life of every individual of the global community and the Nigerians are not excluded from this theory. In addition, for globalisation impacts in the Nigeria cocoa sector to be successful it ought to bring not more of poverty but riches and offer social justice and equity, economic bloom and improved communication to the farmers. Nigeria has been observed to be

impassionate about technological and economic marvel of globalisation but forget that majority of the regions and sectors still remain omitted and obscure. Africa has been the number one continent still wallowing in poverty irrespective of the impacts of globalisation. The revenues generated from the cocoa sector should be put back into the development of the sector for a sustainable future. The act of hoarding and not carrying out contracts also draws back the development of the sector. Agricultural globalisation should not be shoved by the zeal to make money because profit desire seldom takes into consideration the poor and the effects or future needs of the planet. Finally, more action is needed to ensure the development of the cocoa sector. The Nigerian government have to see globalization as a contest and should explore better means to encounter the impacts as well as contending with the challenges of globalisation.

RECOMMENDATIONS

I think that the cocoa sector if given necessary development actions can generate more wealth that can impact immensely on the people and the economic development of Nigeria. The need for the government to investment on infrastructure is very crucial and should be given urgent attention. Also the price instability of the produce if stabilized will be a huge influence on the value of the product both locally and internationally because it will stabilise the cost of other expenses such as shipping, transportation from farm gates as well as profits. In addition price stability will attract investors and increase the chances of the produce regaining its international market value. Furthermore, the government needs to improve their environmental policies by placing laws for oil companies to manage and take responsible for damage of farmlands caused by oil spillages. This will contribute on the improvement of the quality of the produce and also reduce the neglect of dead farm lands. Lastly, the decision making process of the initiated programs should be effective enough to see positive results of their actions. The cocoa sector can only be effective if directly affected parties persist on their decision making.

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